

full

DRG
LIMITED

Annual Report 1970





THE DRG STORY

In August 1969, E S & A Robinson (Canada) Ltd. and Sellotape Canada Limited merged with Globe Envelopes Limited and the holding company resulting from the merger, was named DRG Limited.

E S & A Robinson (Canada) Limited incorporated in 1932, has become the leading Canadian producer of flexible packaging materials. Continual growth of this business has required expansions to manufacturing space, to the present 475,000 square foot plants, located on a 12-acre site at Toronto.

Globe Envelopes Limited, incorporated in 1933, has become Canada's leading producer of envelopes and has attained this position through growth and acquisition. Six plants are in operation across the country, which include International Envelope Limited, the largest envelope converter in the province of Quebec.

Sellotape Canada Limited, before its incorporation under its present style in 1955, imported pressure sensitive tapes from associated overseas companies. The manufacture of major tape lines commenced in 1956 and, as a result of business growth, facilities have since been expanded several times.

The formation of DRG Limited in Canada, with its 1,700 highly skilled employees will permit further entry into high growth markets from a base of strengthened finances and resources.

DRG Limited is associated with the world-wide **Dickinson-Robinson Group Limited**, England, which makes available to Canada the vast experience and technology of all members.

The Annual Meeting of Shareholders will be held at the Inn on the Park, Leslie Street and Eglinton Avenue East, Toronto, at 11:00 a.m. on Tuesday, April 27th, 1971.

the **DRG** companies



E S & A Robinson (Canada) Limited



Globe Envelopes Products Limited



Sellotape Canada Limited

Montreal

DIRECTORS:

S. E. Beare	N. C. Morris
K. G. Graham	W. G. Reid
Grant Horsey	J. F. Robinson, C.B.E.
J. W. Hunter	T. L. Robinson
J. L. Lewtas, Q.C.	V. D. Strickland
A. J. Lynas	R. W. Westrope
J. A. McCleery, F.C.A.	E. Young

OFFICERS:

Grant Horsey	Chairman of the Board
V. D. Strickland	Vice-Chairman of the Board
S. E. Beare	Chairman of the Executive Committee
K. G. Graham	President
A. J. Lynas	Vice-President
N. C. Morris	Vice-President
W. G. Reid	Vice-President
E. Young	Vice-President
J. R. Ward, C.A.	Associate Treasurer and Secretary
L. B. Zalany, C.A.	Associate Treasurer

AUDITORS:

Price Waterhouse & Co., Toronto.

TRANSFER AGENTS:

Crown Trust Company, Toronto and Montreal.

HEAD OFFICE:

73 Laird Drive, Toronto 17.

**WHOLLY-OWNED
SUBSIDIARIES:**

Globe Envelopes Products Limited
 Globe Envelopes Realty Limited
 International Envelope Limited
 E S & A Robinson (Canada) Limited
 Sellotape Canada Limited



LIMITED

FIVE YEAR PROGRESS REPORT

	1970	1969	1968	1967	1966
FINANCIAL RESULTS					
Net sales	\$41,701,753	\$40,046,149	\$36,183,939	\$34,121,319	\$30,882,080
Earnings before income taxes	3,974,229	3,980,611	3,145,888	2,996,044	2,549,216
Net earnings	1,861,539	1,844,492	1,495,376	1,506,342	1,224,491
Cash flow	2,920,058	2,943,559	2,507,168	2,586,427	2,291,427
Earnings per share	1.08	1.07	0.87	0.88	0.71
Cash flow per share	1.70	1.71	1.46	1.51	1.33
Dividends per share	0.48	0.46	0.39	0.36	0.32
FINANCIAL POSITION					
Current assets	13,886,632	13,087,709	11,933,010	11,259,209	10,512,955
Current liabilities	4,700,742	4,920,868	4,432,438	4,193,001	3,963,268
Working capital	9,185,890	8,166,841	7,500,572	7,066,208	6,549,687
Land, buildings, machinery and equipment ...	20,797,181	19,950,903	19,078,546	17,959,798	16,894,406
Less accumulated depreciation	11,811,313	10,813,842	9,969,805	9,168,161	8,524,325
Net fixed assets	8,985,868	9,137,061	9,108,741	8,791,637	8,370,081
Total assets	22,872,500	22,305,186	21,213,950	20,373,166	19,129,781
Long term liabilities	1,175,000	1,425,000	1,825,000	2,311,983	2,501,983
Deferred income taxes	1,217,457	1,226,176	1,277,812	1,289,956	1,146,762
Shareholders' equity	15,779,301	14,733,142	13,678,700	12,578,226	11,517,768
Book value per share	9.18	8.58	7.96	7.33	6.71
OTHER					
Additions to fixed assets	903,173	1,034,395	1,214,419	1,234,319	1,710,396
Number of employees at December 31	1,542	1,665			
Number of shareholders at December 31	1,127	1,168			

NOTES

1. The figures for all years have been computed to reflect the acquisition in 1969 of E.S. & A. Robinson (Canada) Limited and Sellotape Canada Limited on a pooling of interests basis. Earnings per share and cash flow per share for the years 1966 through 1968 have been computed on the number of shares outstanding at the end of each year, plus in each year, the number of shares issued as a result of the acquisition. Dividends were the actual dividends declared on the common Class A and common Class B shares.
2. The fiscal year end of DRG Limited was changed to December 31, effective in 1969. Figures for all years reflect a common fiscal period ending December 31 for the Company and all subsidiaries.

PRESIDENT'S REPORT TO SHARE OWNERS

In 1970, DRG Companies had a year of progress and profit. Consolidated net earnings after tax amounted to \$1.08 per common share as against \$1.07 in 1969—an actual increase in a year of business uncertainty, coupled with Government restraints. When it is considered that after six months operations, earnings were down by as much as 12¢ per share, exceptional performance was achieved in the second half, particularly in the final quarter.

Consolidated sales for 1970 at \$41,701,753 were 4% above those of 1969.

Highlights of the contributions of the three Companies for the year:

- Sales of packaging materials and other related converted products advanced and through improved efficiency and introduction of new products contributed greatly to the over-all increased profits.
- Both unit volume and sales in the envelope business were adversely affected by national postal strikes and slowdowns throughout the year. However, envelope profits were still within reach of the record earnings of 1969.
- Although profit was lower in the pressure-sensitive tape and allied products field, particularly in the first six months — a substantial upswing in revenue and profit featured the latter half of the year.

All in all, we attribute the very satisfactory results attained in 1970 to substantial cost reductions in many areas and enthusiastic efforts by both sales and production to satisfy the needs of our many customers.

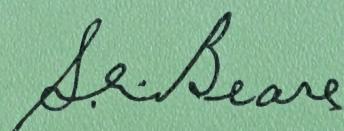
DRG is very strong financially, and has fine, well-established companies that enjoy enviable shares of the national markets for their products.

As to the future, our confidence is shown by the fact that all three companies are planning substantial capital expenditures in 1971, some of which may flow over into 1972. These plans cover additional equipment — new equipment — new processes — and new products. We anticipate the costs of such equipment can be generated from earnings.

Product development in packaging is progressing well, with new items being introduced continually that contribute to sales and earnings growth. Also, the company has entered the growth field of foamed plastic convenience products using an exclusive patented process.

We express sincere thanks to employees in all departments and at all locations for their continuing loyalty and contributing efforts to the success of the past year, and we are most grateful for the support received from our customers, distributors and share owners.

In confidence that Canada is entering a new year of accomplishment in 1971, we address ourselves to the challenge before us.



S. E. BEARE, President



the DRG companies

LEADERS IN INNOVATION AND TECHNOLOGY IN THE SEVENTIES



E S & A Robinson has grown into Canada's leading and most diversified producer of flexible packaging materials. In the decade ahead, the marketplace will continue to require the kind of leadership in technology and innovation from which this growth has stemmed. During the 70's attention will be focused on new product research and related profit opportunities in the huge packaging market.

Non-packaging is a promising new field — for example, large volume production of wall coverings has shown very encouraging results as did sales of Calendars and Advertising Specialties.

The Company sees major prospects for expansion in the fast growing field of packaging with plastics. In 1971, a new division, Robinson Rigid Plastics will come on stream with a wide range of thermoformed foamed plastic articles aimed primarily at the huge potential of the food-service and disposable markets.

It is estimated the Company produced close to four billion packages last year. With good packaging so much a part of Canadian prosperity and a high standard of living, growth in this industry is assured.



Globe has become Canada's leading envelope converter through aggressive marketing of superior quality and well styled products. In today's economy the importance of envelopes is well established.

International are specialists in envelopes for the photo-printing trade and, along with Globe, design and produce many attention-getting and special-purpose envelopes used in the expanding direct mail markets.



The Companies have concentrated in the growth areas of commerce and industry and have been successful with envelopes which are colourfully printed for sales promotion purposes.

Globe engineers have created a new type of continuous-form envelope for faster processing on computer printers. Successful demonstrations have been given in major centres and initial orders are now in process of manufacture.

1970 not only brought new products but saw expansion for established lines, like the Intertac closure, which permits opening and closing an unlimited number of times — ideal for interdepartmental end uses.

The wide variety of envelope styles available plus modern efficient equipment to print and produce tailor-made envelopes augurs well for continued success.



Sellotape is in the business of manufacturing and marketing pressure-sensitive tapes and labels. The development of new products, coupled with demand by industry, provided incentive for growth which accelerated significantly in the latter months of the year.

Acceptance of the new product, "INSIL" a self-adhesive sealing and gasketing material, increased noticeably in a variety of industrial applications. Dramatic advances were particularly evident for this line in the automotive industry.

Introduction of improved products such as "hockey tape" and appealing new packaging for existing items, helped to increase market penetration by the Consumer Products Division. Sales of printed pressure sensitive tapes and labels from the Selloprint Division increased strongly in the food industry.

Product development programmes, utilizing a variety of new plastic materials, will continue to broaden markets for Sellotape. Improvements at the manufacturing level have increased efficiency and maintained the Company's competitive position and reputation for the highest quality in the field.

1970 CONTRIBUTIONS AND DEVELOPMENTS

In 1970, all the DRG companies stepped up the pace of their developments and market introduction of new products.

R A continuous flow of new packaging materials enabled E S & A R to progress successfully in a competitive market: "Deep-Draw" vacuum packaging systems have been well received; Co-extruded films have been introduced, demand will increase dramatically; exclusive agreements provide technical know how for materials and products such as film laminations and the stand-up Doy-N-Pak pouch to hold liquids.

Globe Diverse applications for Globe envelopes have resulted from technical excellence, product innovations and regional productive capacity to service customer demands. Additional new developments of interest are: Return-A-Cheque envelopes with cheque attached — useful for charitable donations; under development is equipment which will automatically insert enclosures while envelopes are being manufactured; ever-increasing commercial end uses for "window" envelopes.

Selotape Industrial requirements for improved products provided a challenge to Sellotape which has been met by new developments in Polypropylene tapes, Electrical tapes, Polyester tapes, Double-sided tapes, Colored Cloth tapes, Vinyl Carton-sealing tapes, INSIL tapes, Printed Foil Hanger labels and Data-processing labels. These advancements strengthen Sellotape's competitive position and will have a direct effect upon future growth and profits.

FINANCIAL HIGHLIGHTS IN 1970

DIVISION OF SALES REVENUE

SHAREHOLDERS:

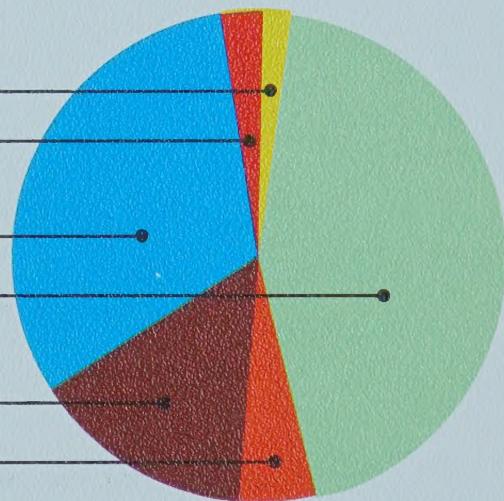
for dividend payments 2.0c
held for future growth of the
business 2.5c
4.5c

EMPLOYEES — for wages, salaries,
commissions and benefits 31.7c

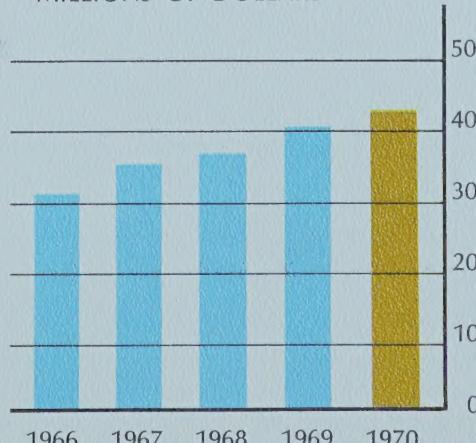
MATERIALS — purchased from our
suppliers for use in manufacturing. 44.3c

OPERATING EXPENDITURES —
utilities, depreciation, maintenance,
research and development, business
services and operating supplies ... 14.5c

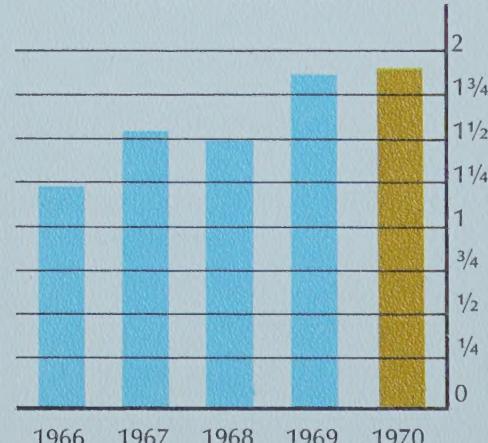
TAXES. Income taxes set aside for
Federal and Provincial Governments 5.0c



NET SALES
MILLIONS OF DOLLARS



NET EARNINGS
MILLIONS OF DOLLARS





DRG LIMITED AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

for the year ended December 31, 1970

(with comparative figures for 1969)

	1970	1969
Net sales	\$41,701,753	\$40,046,149
Manufacturing, selling and administrative expenses	36,646,148	34,907,994
EARNINGS BEFORE UNDERTONED ITEMS	5,055,605	5,138,155
Other charges (income)		
Depreciation and amortization	1,067,236	1,150,703
Interest on long term liabilities	79,214	90,650
Other income	(65,074)	(83,809)
	1,081,376	1,157,544
EARNINGS BEFORE INCOME TAXES	3,974,229	3,980,611
INCOME TAXES		
Current	2,121,407	2,187,755
Deferred	(8,717)	(51,636)
	2,112,690	2,136,119
NET EARNINGS FOR THE YEAR	\$ 1,861,539	\$ 1,844,492
EARNINGS PER COMMON CLASS A AND COMMON CLASS B SHARE		
Earnings per share	\$1.08	\$1.07
Fully diluted earnings per share, giving effect to possible exercise of stock options and interest on the proceeds at 6 3/4 %	1.05	1.04

**CONSOLIDATED STATEMENT
OF RETAINED EARNINGS**
for the year ended December 31, 1970
(with comparative figures for 1969)

	<u>1970</u>	<u>1969</u>
RETAINED EARNINGS		
BEGINNING OF YEAR	\$ 9,970,195	\$ 8,915,753
NET EARNINGS FOR THE YEAR	<u>1,861,539</u>	<u>1,844,492</u>
	<u>11,831,734</u>	<u>10,760,245</u>
DIVIDENDS		
Common Class A	536,880	380,950
Common Class B	288,000	157,200
Pooled subsidiary prior to acquisition	—	251,900
	<u>824,880</u>	<u>790,050</u>
RETAINED EARNINGS END OF YEAR	<u><u>\$11,006,854</u></u>	<u><u>\$ 9,970,195</u></u>

**CONSOLIDATED STATEMENT OF SOURCE
AND USE OF FUNDS**
for the year ended December 31, 1970
(with comparative figures for 1969)

	<u>1970</u>	<u>1969</u>
SOURCE OF FUNDS		
Net earnings for the year ..	\$ 1,861,539	\$ 1,844,492
Depreciation and amortization	1,067,236	1,150,703
Deferred income taxes	(8,717)	(51,636)
Total from operations	<u>2,920,058</u>	<u>2,943,559</u>
Special refundable tax	—	42,677
Issue of capital stock	9,500	—
	<u>2,929,558</u>	<u>2,986,236</u>
USE OF FUNDS		
Net expenditures on fixed and other assets	835,629	1,129,917
Reduction of long term liabilities	250,000	400,000
Dividends	824,880	790,050
	<u>1,910,509</u>	<u>2,319,967</u>
INCREASE IN WORKING CAPITAL	<u><u>\$ 1,019,049</u></u>	<u><u>\$ 666,269</u></u>



CONSOLIDATED BALANCE SHEET

as at December 31, 1970 (with comparative figures for 1969)

	ASSETS	1970	1969
CURRENT			
Cash and short term deposits	\$ 979,677	\$ 1,684,772	
Short term investments	500,000	—	
Accounts receivable	6,557,841	6,245,116	
Inventories	5,643,833	5,023,980	
Other	205,281	133,841	
Total current assets	<u>13,886,632</u>	<u>13,087,709</u>	
FIXED, at cost			
Land and buildings	6,375,378	6,370,787	
Machinery and equipment	14,421,803	13,580,116	
Accumulated depreciation	20,797,181	19,950,903	
11,811,313	<u>8,985,868</u>	<u>10,813,842</u>	
OTHER		—	80,416
		<u>\$22,872,500</u>	<u>\$22,305,186</u>

	LIABILITIES	1970	1969
CURRENT			
Accounts payable and accrued liabilities	\$ 3,634,375	\$ 3,428,088	
Owing to affiliates	62,306	277,511	
Income and other taxes payable	647,841	859,169	
Dividends payable	206,220	206,100	
Current instalment of long term	150,000	150,000	
Total current liabilities	<u>4,700,742</u>	<u>4,920,868</u>	
LONG TERM		1,175,000	1,425,000
DEFERRED INCOME TAXES		1,217,457	1,226,176
	SHAREHOLDERS' EQUITY		
CAPITAL STOCK			
Authorized			
4,000,000 common Class A shares without nominal or par value			
600,000 common Class B shares without nominal or par value			
Issued			
1,118,500 common Class A shares (1969 — 1,117,500)	3,108,535	3,099,035	
600,000 common Class B shares	1,663,912	1,663,912	
	<u>4,772,447</u>	<u>4,762,947</u>	
RETAINED EARNINGS		11,006,854	9,970,195
Total shareholders' equity		<u>15,779,301</u>	<u>14,733,142</u>
		<u>\$22,872,500</u>	<u>\$22,305,186</u>

Approved on behalf of the Board
S. E. BEARE, Director
V. D. STRICKLAND, Director

The explanatory information on page 9 forms an integral part of the consolidated financial statements.

EXPLANATORY INFORMATION TO CONSOLIDATED FINANCIAL STATEMENTS

Common Class A Shares

During 1970, options were exercised on 1,000 common Class A shares of the Company for a total consideration of \$9,500. Options were outstanding at December 31, 1970 to certain employees for 80,750 common Class A shares at \$9.50 per share exercisable to August 10, 1974, of which 33,000 shares were optioned to directors and officers.

Common Class B Shares

Each common Class B share entitles the holder thereof to three votes and is convertible into one common Class A share.

Long Term Liabilities

	1970	1969
6 3/4% term loan, repayable in annual instalments of \$150,000 in 1972 and 1973 with the balance payable in 1974, secured by pledge of debentures providing for a floating charge on the assets of the Company and certain of its subsidiaries	\$ 900,000	\$1,050,000
Loan from an affiliated company, non-interest bearing, repayable in annual instalments of \$100,000 in 1972 and 1973 with the balance payable in 1974....	275,000	375,000
	<u>\$1,175,000</u>	<u>\$1,425,000</u>

Inventories

Inventories have been valued at the lower of cost and market. For raw materials, market has been determined as replacement cost; for other inventories, market has been determined as net realizable value.

	1970	1969
Raw materials	\$1,674,783	\$1,545,154
Work in process	946,914	991,612
Finished goods	3,022,136	2,487,214
	<u>\$5,643,833</u>	<u>\$5,023,980</u>

Pensions

During 1970 two subsidiary companies amended their joint pension plan. After payment of the first instalment in 1970, the remaining unfunded liability for past service benefits contained in the amended plan was approximately \$535,000 to be paid by annual instalments until 1989.

Remuneration of Directors and Officers

Remuneration in 1970 of the company's fourteen directors and ten officers, determined in accordance with the Canada Corporations Act 1970, amounted to \$8,000 and \$439,864 respectively. Eight officers of the company also serve as directors.

AUDITORS' REPORT

To the Shareholders of DRG Limited

We have examined the consolidated balance sheet of DRG Limited and its subsidiary companies as at December 31, 1970 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 26, 1971.

PRICE WATERHOUSE & CO.
Chartered Accountants



LITHOGRAPHED LABELS - GOLD AWARD WINNER



Laminated Materials



Handle Bag



Resealable Cookie Bags



Printed, Coated Papers



Foil Beverage Labels



Printed Films



Meat Packaging



Cheese Packaging



"Deep Draw" Vac-Pac Material



Snack Packaging Materials



Transparent Films



In six envelope plants strategically located across Canada, Globe Envelopes Products Limited, together with Enveloppe Internationale Limitée can make practically any size and style of envelope from the complete range of attractive paper stocks. There are multitudes of growing end uses — cheques, invoices, statements, letters, annual reports, insurance premiums, charge accounts — as well as colourful direct mail advertising.

Globe has created specialty items like the famous heavy duty envelopes, "Press-To-Seal" which seal instantly and effectively without moisture and are real time-savers in mailing departments.

The market for window envelopes has continued to develop and now represents approximately 25% of all envelopes sold in Canada. The plants are particularly well equipped to service this large growing market and manufacture top quality products with modern high speed production facilities.



**PRESSURE SENSITIVE
TAPES and LABELS**



INDUSTRIAL — Specialty tapes for the printing and graphic arts industries are used in a wide variety of applications.



CONSUMER PRODUCTS — Numerous specialty tapes for the home and office.

Sellotape Canada Limited

PRODUCTS

CONSUMER PRODUCTS DIVISION

Pressure Sensitive Cellulose, Cloth, Masking, Invisible, Electrical, Double-Faced, Freezer and Hockey Tape.

INDUSTRIAL DIVISION

Pressure Sensitive Cellulose, Vinyl, Acetate, Polyethylene, Teflon, Cloth, Glass Cloth, Masking, Rope Stock, Double-Faced, Carton Sealing, Electrical, Mylar, Foil.

INSIL range of closed cell pressure sensitive P.V.C. Sealing and Gasketing Materials.

SELLOPRINT DIVISION

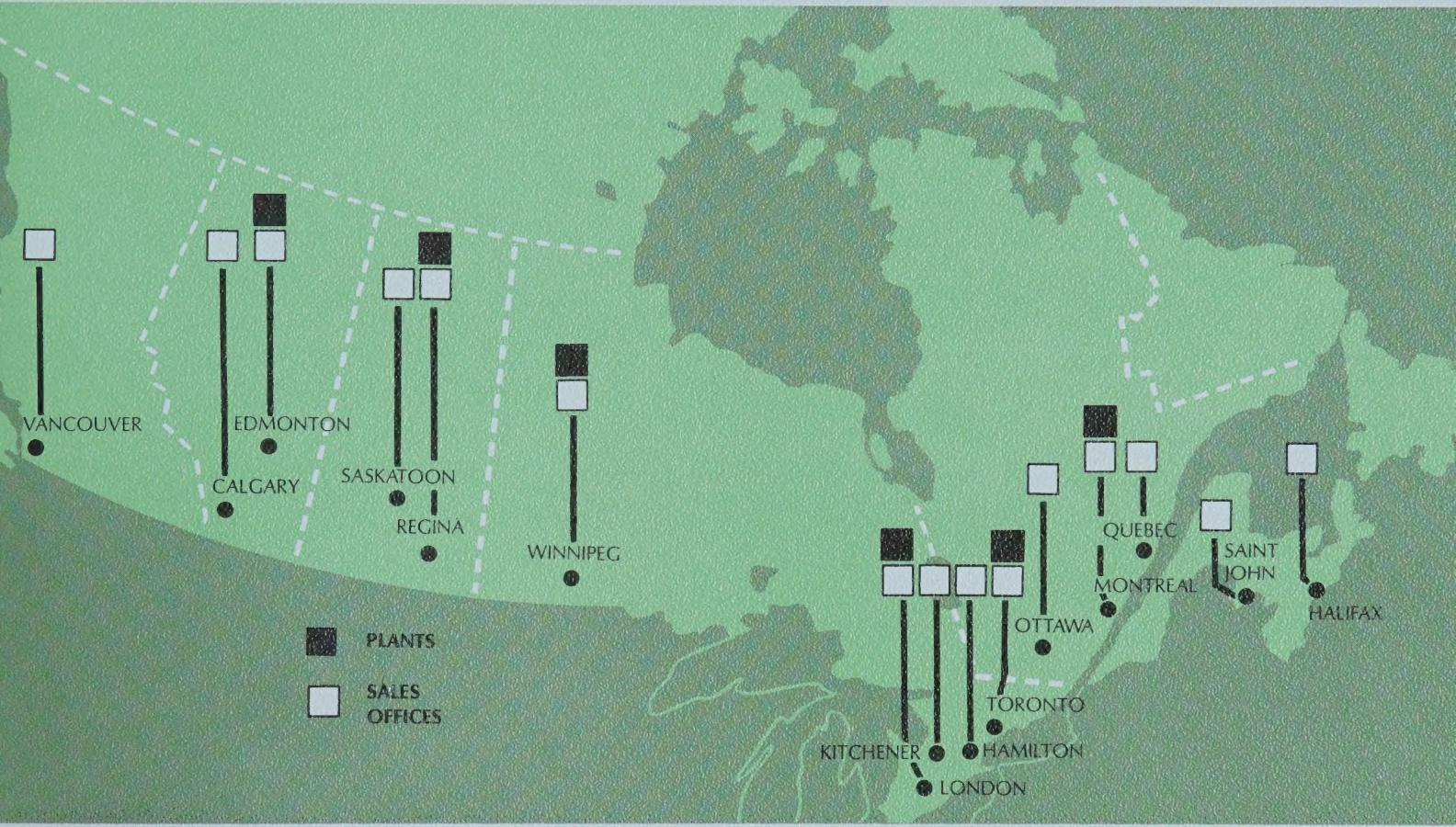
Pressure Sensitive labels and tapes.



INSIL — Insil pressure sensitive sealing and gasketing materials have growing applications in the industrial, automotive and construction fields.



SELLOPRINT — Selloprint pressure sensitive printed tapes and labels are used to promote sales of countless products.



Sales offices and Plants from coast to coast ensure prompt service to all major market areas.

ADDRESSES



E.S. & A. ROBINSON (CANADA) LIMITED — HEAD OFFICE: 69 LAIRD DRIVE, TORONTO 17

PLANTS AND OFFICES: Vancouver, Calgary, Winnipeg, London, Kitchener, Hamilton,
*Toronto, Ottawa, Montreal, Saint John, Halifax.



GLOBE ENVELOPES PRODUCTS LIMITED — HEAD OFFICE: 1070 QUEEN STREET EAST, TORONTO 8

PLANTS AND OFFICES: *Edmonton, Calgary, *Regina, *Winnipeg, *London, Hamilton,
*Toronto, Ottawa, Montreal.



ENVELOPPE INTERNATIONALE LIMITÉE — HEAD OFFICE: 7000 HOCHELAGA STREET, MONTREAL 5

PLANTS AND OFFICES: Quebec and *Montreal.



SELLOTAPE CANADA LIMITED — HEAD OFFICE: 10 ESANDAR DRIVE, TORONTO 17

PLANTS AND OFFICES: Vancouver, Edmonton, Calgary, Saskatoon, Winnipeg, London,
Kitchener, Hamilton, *Toronto, Ottawa, Montreal, Quebec.

*Plants

